

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-11

OIC-02 IO-13 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07

ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15

SIL-01 /170 W

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P 131444Z JUN 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 0779

INFO AMCONSUL AMSTERDAM

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY LA PAZ

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

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USLO PEKING

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: UNCTAD ETRD

SUBJECT: PREPARATORY WORKING GROUP (PWG) ON TUNGSTEN

1. SUMMARY: FIRST SESSION OF PREPARATORY WORKING GROUP ON
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TUNGSTEN DID LITTLE MORE THAN DECIDE TO HOLD A SECOND SES-
SION AT SOME UNSPECIFIED DATE. US DID NOT AGREE WITH DECI-
SION AND ENTERED A RESERVATION REGARDING FUTURE PARTICIPA-
TION PENDING ANNOUNCEMENT OF AGENDA. BOLIVIA SENT WRITTEN
EXPLANATION OF NON-ATTENDANCE INDICATING IT WOULD ONLY
PARTICIPATE WHEN NEGOTIATIONS ON A STABILIZATION AGREEMENT
ARE IN VIEW. GROUP OF 5 (US, UK, FRG, SWEDEN, JAPAN) PRO-

POSAL FOR WORK PROGRAM TO REPLACE CONSIDERATION OF FOUR PROPOSALS ON TABLE CATEGORICALLY REJECTED BY PRODUCERS AT URGING OF CHINA. END SUMMARY.

2. AT THE OUTSET, THE PWG MEETING WAS CLOUDED BY THE BOLIVIAN REFUSAL TO ATTEND AND THE POSSIBILITY OF A WALK-OUT BY THE U.S. BOLIVIA, IN A LETTER TO THE UNCTAD SECRETARIAT, DECLARED THAT THE AIM OF THE PWG SHOULD BE THE RAPID CONCLUSION OF AN INTERNATIONAL AGREEMENT AND THAT ANY OTHER ALTERNATIVE, AND PARTICULARLY A PRODUCER/CONSUMER FORUM (PCF), SHOULD NOT BE CONSIDERED. FOR THREE DAYS DELEGATIONS AVOIDED ANY MENTION OF THE AUSTRALIAN DRAFT AGREEMENT, THE CANADIAN PROPOSAL, OR THE PCF. NONE WAS WILLING TO BROACH THESE SUBJECTS AND RISK POLARIZING THE MEETING.

3. THE CATALYST WHICH SERVED TO STIR THE MEETING FROM ITS INACTIVITY WAS THE NEW FRENCH PROPOSAL, INTRODUCED AT MIDWEEK. IT CALLS FOR A TREATY-TYPE PCF WITH A NECESSARY MINIMUM OF ECONOMIC MECHANISMS, THAT IS MARKET INTERVENTIONIST MEASURES, WHICH WOULD BE PROGRESSIVELY AND DEFINITELY SUPPLEMENTED WITH ADDITIONAL ECONOMIC MECHANISMS. AS SUCH, IT GOES CONSIDERABLY BEYOND THE CANADIAN PROPOSAL WHICH LIMITED ITSELF TO THE INCLUSION OF BINDING ECONOMIC MEASURES AT A FUTURE TIME, IF APPROPRIATE. THE EC, WHICH CAME TO THE MEETING MORE UNITED THAN PREVIOUSLY, WAS SPLIT APART BY THE LIMITED OFFICIAL USE

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INSISTENCE OF THE FRENCH THAT THEIR PAPER REPRESENTED A MINIMUM POSITION. THE UK AND FRG FOUND THE PROPOSAL AND THE FRENCH POSITION UNACCEPTABLE.

4. PRODUCERS SPOKE FAVORABLY ABOUT USING THE FRENCH PROPOSAL AS THE BASIS FOR FURTHER DISCUSSIONS. THE PRC, HOWEVER, AROUSED CONSUMERS' FEARS BY SPELLING OUT THAT, AT A MINIMUM, THERE WOULD HAVE TO BE CERTAIN ECONOMIC MEASURES IN ANY AGREEMENT, AND THAT IT CONSIDERED STOCKING PROVISIONS ESSENTIAL. THROUGH THIS AND ANOTHER INTERVENTION AT THE END OF THE WEEK IT INDICATED CONTINUED REJECTION OF ANY CONSIDERATION OF A PRODUCER-CONSUMER FORUM.

5. THE EXTREMITY OF THE FRENCH PROPOSAL, REINFORCED BY THE PRC STATEMENT, WELDED THE FORMER GROUP OF FIVE (US, UK, FRG, SWEDEN, JAPAN) INTO A JOINT STATEMENT REJECTING IT. SOMEWHAT SURPRISINGLY, SWEDEN AND THE UK WERE ABLE TO AGREE WITH THE OTHER THREE IN REJECTING "ANY INTERNATIONAL AGREEMENT WITH ANY PROVISIONS FOR, OR PRECOMMITMENT TO, BINDING MARKET INTERVENTIONIST MEASURES."

6. BASED ON THE REASONABLE, BUT AS YET UNSTATED, CONCLUSION

THAT THERE WAS NO AGREEMENT UNDER THE TERMS OF REFERENCE OF THE PWG ON THE CONVENING OF A NEGOTIATING CONFERENCE OR THE ESTABLISHMENT OF A FORUM, THE G-5 PROPOSED A WORK PROGRAM TO REPLACE RPT REPLACE FURTHER CONSIDERATION OF PROPOSALS BEFORE THE GROUP. THE G-5 PROPOSED THIS REPLACEMENT, RECOGNIZING THAT EACH OF THE FOUR PROPOSALS BEFORE THE GROUP HAD ALREADY BEEN REJECTED BY ONE OR MORE MAJOR PARTICIPANTS IN THE MARKET. THEY FELT THAT SETTING ASIDE DISCUSSION OF THE PROPOSALS WAS THE ONLY CONSTRUCTIVE WAY OF PROCEEDING WITH THE TUNGSTEN DIALOGUE.

7. PRODUCERS, UNWILLING TO SET ASIDE PROPOSALS FOR BINDING MARKET INTERVENTIONIST MEASURES, REJECTED THE WORK PROGRAM. THEY PREFERRED INSTEAD TO PLACE THE WORK PROGRAM ALONGSIDE LIMITED OFFICIAL USE

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THE OTHER PROPOSALS AS SIMPLY ANOTHER, OR A FIFTH PROPOSAL. DISCUSSION THEN TURNED TO WHETHER, WHEN, AND ON WHAT BASIS A FURTHER MEETING OF THE PWG MIGHT BE CALLED. ON THIS ISSUE OTHER MEMBERS OF THE G-5 DESERTED THE U.S. AND WERE WILLING TO SEE A SECOND MEETING CALLED, AFTER A PERIOD OF CONSULTA-
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TIONS, BUT WITHOUT NECESSARILY ANY AGREED BASIS FOR FURTHER DISCUSSIONS. NEVERTHELESS THEY DID JOIN U.S. IN CONVINCING CONSUMERS TO SUGGEST MEETING ONLY WHEN DATE AND AGENDA COULD BE AGREED UPON THROUGH CONSULTATIONS. PRODUCERS REJECTED THIS PROPOSAL AS WELL AND INSISTED THAT A SECOND MEETING BE RECOMMENDED, WITH ONLY THE QUESTION OF THE TIMING LEFT OPEN FOR DECISION BY THE TDB.

8. AGREEING TO SUBMERGE REAL DIFFERENCES AMONG DELEGATIONS, PRODUCERS AND OTHER CONSUMERS BESIDES THE U.S. ADOPTED THE DECISION "THAT THERE SHOULD BE A FURTHER MEETING OF THE GROUP AT AN APPROPRIATE TIME, IF POSSIBLE, BEFORE THE END OF 1978." THE U.S. SUCCESSFULLY OPPOSED THE USE OF THE TERM "CONSENSUS" AND STATED THAT WITHOUT THE DEVELOPMENT IN THE INTERIM OF AN ADEQUATE BASIS FOR FURTHER DISCUSSIONS, IT SERIOUSLY DOUBTED WHETHER IT WOULD ATTEND A SECOND MEETING. ACCORDINGLY, IT DID NOT AGREE TO THE DECISION TO CALL ANOTHER MEETING.

9. COMMENT. SINCE NONE OF THE PROPOSALS, INCLUDING THE FRENCH, WAS ACTUALLY DISCUSSED, THE U.S. DEL WAS NEVER FACED WITH A DECISION WHETHER TO LEAVE THE ROOM IN ACCORDANCE WITH THE U.S. STATEMENT TO THE TDB THAT IT WOULD NOT PARTICIPATE IN DISCUSSION OF PROPOSALS WHICH INCLUDE MARKET INTERVENTION MEASURES. AUSTRALIA, CHINA, CANADA AND MOST CONSUMERS APPEARED TO WANT NOTHING MORE OUT OF THE WEEK THAN A SECOND MEETING THEREBY MAKING IT APPEAR DISCUSSIONS ON TUNGSTEN WERE CONTINUING IN UNCTAD. THERE WAS NO HINT OF FLEXIBILITY ON PRODUCERS' PART TOWARD A PCF, IF ANYTHING, POSITIONS SEEMED TO HARDEN DURING THE WEEK. G-5 UNITY WAS RESTORED WITH SWEDEN TAKING A POSITION ALMOST IDENTICAL TO THE U.S. WITH THE EXCEPTION THAT IT IS NOT PREPARED TO JOIN IN A CALL TO END DISCUSSIONS EVEN THOUGH IT STRONGLY ADVOCATED A

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MORATORIUM. THE UK SEEMED PARTICULARLY SWAYED BY BELIEF THAT FURTHER MEETINGS WOULD SERVE NO PURPOSE WITHOUT U.S. PARTICIPATION. ACCORDINGLY IT DID ALL IT COULD IN NAME OF G-5 UNITY TO KEEP U.S. IN THE PICTURE. PRODUCER INSISTENCE ON CONVERTING WORK PROGRAM INTO JUST ANOTHER PROPOSAL DOOMED ANY ATTEMPT TO SHIFT GEARS IN THESE DISCUSSIONS. GROUP'S WORK WOULD THEN HAVE BECOME A COMBINATION OF SPECIFIC WORK PROGRAM ALONGSIDE DISCUSSION OF MARKET INTERVENTION MEASURES. GIVEN THE REJECTION OF ALL PROPOSALS ON THE TABLE BY ONE OR MORE DELEGATIONS, FUTURE MEETINGS ARE POINTLESS UNLESS CONSULTATIONS IN THE INTERIM REVEAL A CHANGE IN POSITIONS. ACCORDINGLY, EVEN THOUGH IT WOULD MEAN FOLLOWING THE PRECEDENT NOW ESTABLISHED BY BOLIVIA, THE U.S. SHOULD SERIOUSLY CONSIDER NOT ATTENDING THE NEXT MEETING UNLESS A NEW AND ACCEPTABLE AGENDA IS PROPOSED. VANDEN HEUVEL

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